

# INDUSTRY UPDATE

Biweekly Period Ending October 6, 2001

## Phoenix Metro Area

### **Manufacturing**

**Western Container** signed a 10-year lease to **produce recyclable plastic bottles for Coca-Cola** at a 285,000-square-foot **manufacturing facility** that will be built **in Tolleson**. Centex Investment Co. of Dallas will develop the plant on 20 acres at 99<sup>th</sup> Avenue and Buckeye Road. Western Container expects to **initially hire** a little more than **100 people** when the plant opens **next June**.

### **Construction**

**Work** on a 250-megawatt power plant **at Salt River Project's Kyrene Station in Gilbert** (Kyrene and Gilbert roads) is about **two-thirds complete**. The primary builder of the natural gas-fired facility, **TIC** of Steamboat Springs, Colo., expects to **increase** the site's **workforce from 170 to 250** over the next few months as the project shifts into high gear. No information is available on how much or if the plant, the second at Kyrene Station, might affect SRP's employment.

### **Transportation, Communications, and Public Utilities**

As a direct result of the Sept. 11<sup>th</sup> events, **Sky Harbor International Airport** has **stopped working on most** of its planned **\$1.2 billion in expansion projects**. Among projects halted were a \$200 million rental car facility, a \$35 million parking structure, and a \$650 million mega-terminal that would replace terminals 2 and 3. Sky Harbor had based its expansion plans on annual passenger totals growing from 36 million in 2000 to an estimated 45 million by 2006. Tempe-

based America West Airlines reduced its flight schedule by 20 percent and laid off 2,000 employees almost immediately after the terrorist events (see Sept. 22<sup>nd</sup> *Industry Update*).

### **Finance, Insurance, and Real Estate**

The **spread of mold** inside the recently completed **Brickyard on Mill** office and retail complex in downtown Tempe has **prevented** several **major tenants** from **moving into their new digs**. **Bank of America (BoFA)** and the **Bamboo Club** restaurant, as well as Tempe-based **Integrated Information Systems (IIS)**, an Internet design firm, have been unable to move into the main six-story structure. A separate seven-story building that offers high-end condominiums has also been dormant. All of the businesses had originally expected to move in last January, but are now not likely to see their new locations until November or December, which has cost them considerable sums of money.

**Prior to the Sept. 11<sup>th</sup> events**, the **Valley housing market** had **remained strong**, despite a weakened economy. **Single-family housing permits** were **up more than 20 percent**, year over year, in August, and **home re-sales** were **up 9 percent** for the same period. But a Phoenix housing analyst expects the real estate market to weaken significantly the rest of the year, despite setting yearly records for new homes and re-sales in 2001. The refinancing market, however, is expected to continue to stay strong because of low interest rates.

### **Trade**

It won't make it in time for this year's Thanksgiving Day parade in New York City, but **Macy's department store** will **move**

**into** a three-story location at **Scottsdale Fashion Square** vacated earlier this year by Sears. A part of Cincinnati-based Federated Dept. Stores, Macy's will begin renovating the 250,000-square-foot store after January, with an **expected opening next fall**. The Fashion Square store will be Macy's fifth Valley location and seventh overall in Arizona.

### ***Services***

To speed up the road to profitability, a Scottsdale-based **maker of Internet learning programs laid off 8 percent** of its workforce, or **28 people**, in early October. **KnowledgeNet**, which will still have 300 employees, made the cuts in administrative and operations positions. Investors put pressure on the start-up technology company to show a profit by the third quarter of 2002, when KnowledgeNet plans to issue stock. **Since** the Sept. 11<sup>th</sup> **terrorist attacks**, KnowledgeNet has **picked up an additional \$5 million in business**, as companies are turning to e-learning to avoid spending money on travel costs.

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## **Tucson Metro Area**

### ***Manufacturing***

As part of a consolidation plan, **Vanguard Automation** is **moving its manufacturing and engineering operations** in Tucson to its corporate home of Hauppauge, N.Y. Vanguard, which will **eliminate 110 jobs in Tucson** (with some workers being offered a chance to relocate), makes ball-grid arrays for semiconductors.

### ***Finance, Insurance, and Real Estate***

**Dun & Bradstreet Management Services** will **open a customer service center** in mid-October, with **employment** expected to **grow to 500** by the end of 2002. Tucson was selected over several other western cities (including Phoenix) because of its bilingual and abundant labor supply, said the company's president. Tucson has about 30 call centers employing 16,000 people, compared

to the Phoenix metro area, which has more than 100 call centers. The Tucson facility, which will be one of nine call centers worldwide, will **provide services for electronic billing, collections, and bankruptcy**.

### ***Construction***

A 71-year-old nonprofit foundation wants to bring new life to an old neighborhood. The **Marshall Foundation**, which has already renovated portions of the north and south sides of University Boulevard near the University of Arizona with upscale retail projects, now **plans an estimated \$36 million** worth of **retail, office, and restaurant projects** on 10 acres by the west entrance to UofA. **Construction** is set to **begin in November** at North Park Avenue and East Second on a \$19 million, 115,000-square-foot building that will feature shopping, restaurants, and office space. Scheduled completion of the five-story project is December 2002. Also being discussed is tearing down a strip mall at 943 E. University, erecting a \$9 million movie theater, and renovating a strip center outside UofA's main mall entrance.

### ***Services***

Citing a need for better air service, a more skilled labor force, and being close to research facilities in Los Angeles, the **national headquarters of the Muscular Dystrophy Association** is **considering leaving Tucson**. While its **160 employees** are not large in terms of employment, MDA's national reputation and media exposure bring a lot of attention to Tucson. MDA moved to the "Old Pueblo" in the early '90s after Pima County provided \$1.5 million in incentives. Maybe not coincidentally, in mid-October Delta Airlines announced new nonstop service between Atlanta and Tucson, and America West Airlines restored all flights that were eliminated after the terrorist attacks.

### ***Miscellaneous***

**Two Tucson venture-capital companies** have **raised more than \$60 million**, of

which about **one-third** will be **invested in local start-up companies**. Through venture-capital mutual funds, **Solstice Capital LLC** has collected \$57 million and **Village Ventures Inc.** has raised \$5 million. The money will be invested mainly in technology-oriented companies, with an eye toward reaping large rewards when and if the companies become profitable. While venture capital in Arizona grew 600 percent between 1995 and 2000, most of the funds were invested in Phoenix-area businesses, reported the *Associated Press*.

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### **Balance of State**

#### ***Transportation, Communications, and Public Utilities***

With the governor and other dignitaries on hand, the **Griffith Energy Plant**, 15 miles southwest of Kingman near Interstate 40, **began operation** at the end of September. The 600-megawatt natural gas-fired plant, owned by **PPL Global** of Fairfax, Va., and **Duke Energy North America** of Houston, will **employ about 40 people** and generate enough electricity for about 300,000 homes. Griffith, which will help **fuel economic development in Mohave County**, is one of four generating plants in the state that came on-line this summer.

#### ***Government***

After beefing up its Arizona ranks (to about 2,000) in recent years, the **U.S. Border Patrol might lose** a good number of **agents for higher-paying sky marshal jobs**. In addition, it's expected that many border agents will be called up to active duty in the reserves. To prevent additional hijackings, President Bush announced that sky marshals would begin flying on many U.S. flights. While starting salaries for border patrol agents and U.S. marshals are about the same (between \$35,000 and \$37,000), border agents tend to work long hours and receive fewer

benefits than other federal workers.

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### **Statewide**

#### ***Manufacturing***

The **U.S. Defense Department is in negotiations with defense-product manufacturers** in order to determine how quickly they can gear up operations. Boeing Co., Honeywell, Raytheon, General Dynamics Decision Systems (formerly Motorola's Integrated Information Systems Group) and other **defense companies in Arizona will likely see an increase in defense-related orders**, such as helicopters, cockpit and communications equipment, and missiles. Honeywell recently laid off 1,500 people at its commercial aviation operations in Phoenix (see Sept. 22<sup>nd</sup> *Industry Update*). However, like Boeing, which is laying off people at its commercial operations in Seattle while its defense operations in Mesa are strong, Honeywell's military divisions don't appear to have been hurt by the economic downturn and the events of Sept. 11<sup>th</sup>.

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## ***INDUSTRY UPDATE***

*Industry Update* is produced biweekly as a stand-alone publication and quarterly as part of *Arizona Economic Trends* by the Arizona Department of Economic Security, Research Administration. *Industry Update* is a compilation of public announcements and articles from newspapers and periodicals about business events significant to Arizona labor markets. Due to space limitations, however, an exhaustive list of industry news is not feasible. In addition, DES, Research Administration is not responsible for incorrect information reported by these sources. For more information, contact DES, Research Administration by writing to 1789 W. Jefferson St., Site Code 733A, Phoenix, AZ 85007, or calling (602) 542-3871.

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